# 1987 Annual Report

stc lines

Bringing Saskatchewan People Together

Grateful appreciation is extended to the eleven people who retired during the current fiscal year after many years of valued service to the Company.

A.J.A. (Jack) Atherton
Sales & Services Supervisor
August 9, 1951
April 1, 1987

H.S. (Jake) Dunville
Motor Coach Operator
May 26, 1952
July 1, 1987

G.L. (Gordon) Edison
Motor Coach Operator
July 8, 1948
August 1, 1987

D.A. (Don) Erlandson
Motor Coach Operator
June 29, 1948
March 1, 1987

R.D. (Don) Hamilton
Maintenance Clerk
August 11, 1951
December 1, 1986

G.M. (Gerry) Karst
Transportation Manager
May 21, 1948
January 1, 1987

J. (Julius) Patlok
Caretaker
March 22, 1977
October 1, 1987

M.R. (Mel) Sloat
Serviceman 1
May 26, 1953
July 1, 1987

A.G. (Bert) Warkentin
District Manager
August 22, 1957
September 1, 1987

M.G. (Morris) Westad
Passenger Services Supervisor
April 4, 1952
May 1, 1987

L. (Lorne) Wilks
Business Development Supervisor
April 7, 1952
May 1, 1987

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# Letter of Transmittal

February 5, 1988

To His Honour F.W. Johnson
The Honourable Lieutenant Governor
of the Province of Saskatchewan

Dear Sir:

I have the honour to submit the Annual Report of the Saskatchewan Transportation Company for the year ended October 31, 1987, including the Financial Statements duly certified by the Corporation's Auditor and in the form approved by the Treasury Board, all in accordance with the Crown Corporations Act 1978.

Your obedient servant

Grant Hodgins
Minister in Charge
Saskatchewan Transportation Company

# President's Report

During 1987, STC continued to provide scheduled passenger and parcel express service to over 400 Saskatchewan communities. These services were provided without an increase in rates for the fourth consecutive year thereby enabling Saskatchewan people to enjoy the lowest rates in Canada. Charter service was also provided to many Saskatchewan residents. The provision of this service enabled the Corporation to maximize the utilization of both manpower and equipment which is primarily required for scheduled services.

In response to customer demands identified through market research, STC introduced smoke-free buses on a limited number of schedules, credit card service at major depots, computerized routing for charters, "Bus Cap" assistance for passenger luggage handling and a centralized customer information centre in Saskatoon. In addition, existing programs such as the pick up and delivery service and the account customer waybill imprint program were expanded, while the express regulations were amended to include insurance on collect shipments.

The Company, similar to other intercity motorcoach operators, experienced a very competitive marketplace in all segments of its operations during the past year. This, coupled with increased operating costs and the impact of a soft economy on travel, had a detrimental effect on the Corporation's financial performance. As a result of these factors, the Corporation sustained a $4.3 million loss.

Total transportation revenues of $13.3 million were down $386,000 from the previous year.

Passenger revenues of $6.2 million declined by $370,000, with ridership dropping 41,000 to 656,000. Competition from other modes of travel (particularly the automobile) was the major factor responsible for this decline.

As a result of the soft rural economy and the aggressive competition experienced in the package express market, express revenues of $5.1 million declined $97,000 from last year.

The charter market showed encouraging signs of growth, with charter revenues increasing $70,000 to $779,000.

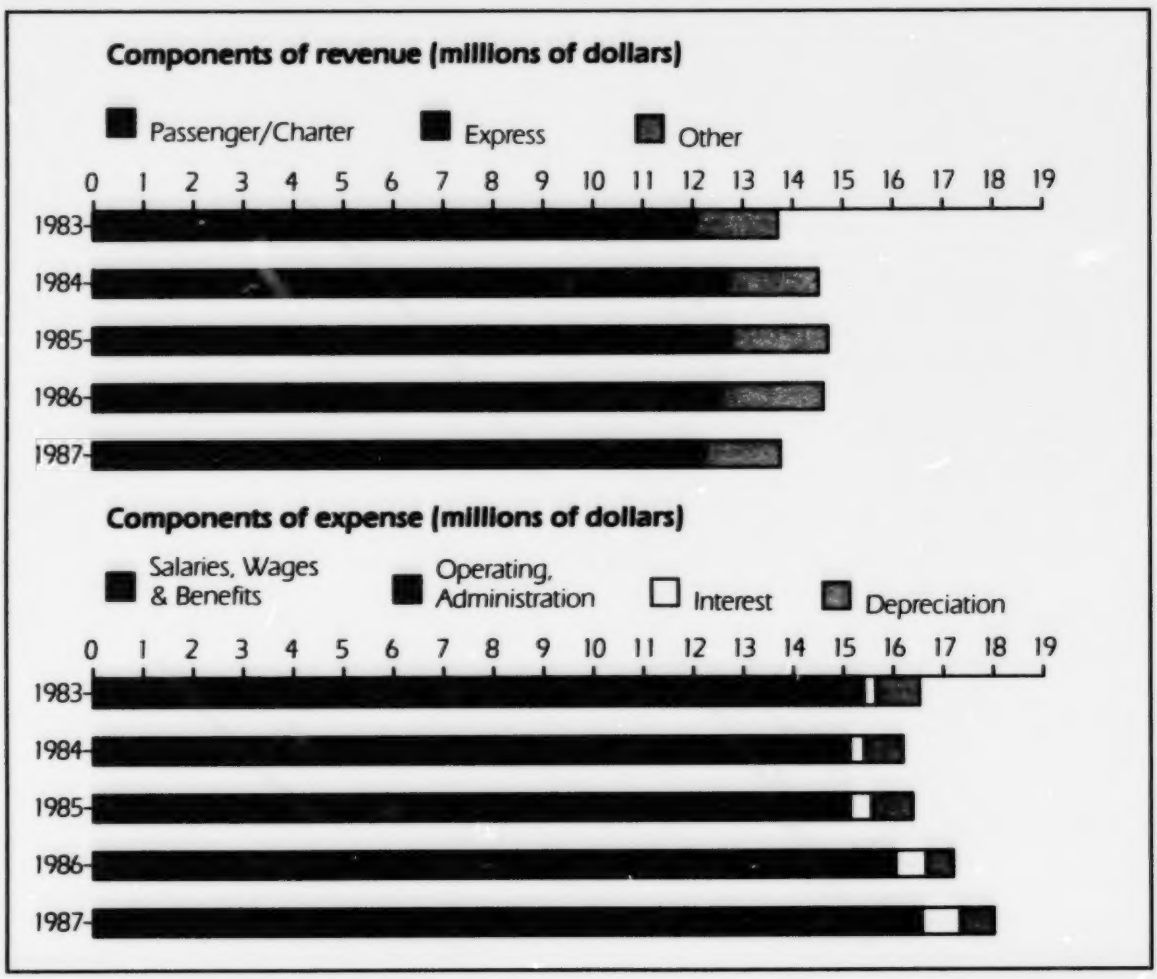
Commission revenues earned from the sale of other carriers' services and other transportation revenues remained unchanged from the previous year at $1.2 million.

Total corporate expenses of $18 million were up 4% over the previous year. Steadily increasing interest costs, further repairs to the Regina and Saskatoon depots, additional advertising, and the introduction of new customer services and programs, accounted for the majority of this increase.

The climate of reformed legislation, high technology and aggressive marketing which presently prevail within the transportation industry, demonstrates the need for STC, and the entire intercity bus industry to work closely together to develop and implement employee training programs and management information systems. These programs and systems must be highly customer sensitive, and promptly identify business opportunities. This is essential if STC wishes to survive in this changing and challenging industry.

The dedicated efforts of STC's 298 employees and 276 commissioned agents, together with the valued service of the eleven employees who retired during the current year, are gratefully acknowledged.

Don Castle
President



# Five Year Statistical Profile (Unaudited)

| | 1986-87 | 1985-86 | 1984-85 | 1983-84 | 1982-83 |
|---|---|---|---|---|---|
| **Income (000's)** | | | | | |
| Scheduled Service | $11,290 | $11,756 | $12,128 | $12,059 | $11,164 |
| Other | 2,428 | 2,723 | 2,537 | 2,361 | 2,532 |
| Total: | $13,718 | $14,479 | $14,665 | $14,420 | $13,696 |
| **Expenses (000's)** | | | | | |
| Operating & Administration | $16,357 | $15,794 | $15,095 | $15,022 | $15,452 |
| Interest | 898 | 704 | 497 | 382 | 200 |
| Depreciation | 781 | 794 | 794 | 812 | 875 |
| Total: | $18,036 | $17,292 | $16,386 | $16,216 | $16,527 |
| **Net Loss (000's)** | $ 4,318 | $ 2,813 | $ 1,721 | $ 1,796 | $ 2,831 |
| **Assets at Book Value (000's)** | $10,505 | $11,077 | $11,232 | $10,279 | $11,072 |
| **Miles Operated (000's)** | | | | | |
| Scheduled Miles | 5,079 | 5,128 | 5,117 | 5,127 | 5,195 |
| Other | 427 | 397 | 368 | 362 | 393 |
| Total: | 5,506 | 5,525 | 5,485 | 5,489 | 5,588 |
| **Route Passengers** | | | | | |
| Number Carried (000's) | 656 | 697 | 737 | 731 | 773 |
| Passenger Miles (000's) | 70,724 | 75,051 | 78,781 | 77,986 | 82,288 |
| Average Distance/Passenger | 107.8 | 107.6 | 106.9 | 106.6 | 106.5 |
| **Coach Statistics** | | | | | |
| Number of Coaches | 62 | 62 | 62 | 69 | 70 |
| Miles/Coach | 88,805 | 89,112 | 84,899 | 78,988 | 72,362 |
| Average Age of Fleet | 10.1 | 9.1 | 8.1 | 8.7 | 7.8 |
| **Number of Employees** | | | | | |
| Coach Operators | 93 | 94 | 94 | 96 | 95 |
| Maintenance | 52 | 51 | 54 | 51 | 57 |
| Terminal | 91 | 89 | 86 | 85 | 90 |
| Admin. & Management | 62 | 65 | 60 | 61 | 62 |
| Total: | 298 | 299 | 294 | 293 | 304 |
| **Salaries, Wages & Benefits (000's)** | $10,098 | $ 9,981 | $ 9,779 | $ 9,683 | $ 9,854 |

# Corporate Directory

## Board of Directors

***As of October 31, 1987***

| | |
|---|---|
| William G. Rudichuk | — Chairman |
| Honourable Grant Hodgins | — Vice-Chairman |
| Ian Disbery | — Board Secretary |
| Daryl Huber | — Lipton |
| Gerald Rennie | — Ponteix |
| David Kimber | — Melfort |
| Leona Huxley | — Maidstone |
| Helen Crich | — Saskatoon |
| Clinton Ranger | — Leask |
| Hughene Close | — Kindersley |
| Hilda Hildebrandt | — Limerick |
| Danny Keshane | — Kamsack |

## Management

***As of October 31, 1987***

| | |
|---|---|
| Don Castle | — President |
| Darrell T. Lowry | — Vice-President, Operations |
| David A. Sentes | — Vice-President, Finance & Administration |
| Greg G. Beattie | — Manager, Sales & Traffic |
| John Lyzaniwski | — Manager, Audit Reclaims |
| Kent Scott | — Acting Transportation Manager |
| Ruth Weir | — Controller |
| Les Wills | — Equipment Manager |

# Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the statement of financial position of the Saskatchewan Transportation Company as at October 31, 1987 and the statements of operations and deficit and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at October 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The financial statements for the preceding year were examined by other chartered accountants who expressed an unqualified opinion in their report dated December 23, 1986.

Thorne Ernst & Whinney

January 29, 1988

Thorne Ernst & Whinney
Chartered Accountants

# Statement of Financial Position

| | October 31 | |
|---|---|---|
| | 1987 | 1986 |
| | (Thousands of dollars) | |
| **ASSETS** | | |
| **Current Assets** | | |
| Accounts receivable | $ 1,475 | $ 1,177 |
| Supplies and parts inventories | 381 | 321 |
| Prepaid expenses | 138 | 165 |
| | 1,994 | 1,663 |
| **Property and Equipment (note 1)** | 10,505 | 11,077 |
| | $ 12,499 | $ 12,740 |
| **LIABILITIES AND PROVINCE'S EQUITY (DEFICIENCY)** | | |
| **Current Liabilities** | | |
| Bank indebtedness | $ 2,150 | $ 680 |
| Accounts payable and accrued liabilities | 2,394 | 2,232 |
| Notes payable (note 2) | 9,939 | 7,448 |
| Loan payable (note 3) | 826 | 826 |
| | 15,309 | 11,186 |
| **Long-Term Liabilities** | | |
| Obligation under capital lease (note 4) | 180 | 226 |
| Total liabilities | 15,489 | 11,412 |
| **Province of Saskatchewan Equity (Deficiency)** | | |
| Advances (note 5) | 11,635 | 11,635 |
| Deficit | (14,625) | (10,307) |
| | ( 2,990) | 1,328 |
| | $ 12,499 | $ 12,740 |

# Statement of Operations and Deficit

| | Year ended October 31 1987 | 1986 |
|---|---|---|
| | (Thousands of dollars) | |
| **REVENUE** | | |
| Transportation services | $ 13,262 | $ 13,648 |
| Other revenues | 456 | 519 |
| Gain on sale of property and equipment | – | 312 |
| | 13,718 | 14,479 |
| **EXPENSES** | | |
| Operating | 13,442 | 13,175 |
| Administration | 2,915 | 2,619 |
| Depreciation | 781 | 794 |
| Interest | 898 | 704 |
| | 18,036 | 17,292 |
| **LOSS FOR THE YEAR** | 4,318 | 2,813 |
| **DEFICIT AT BEGINNING OF YEAR** | 10,307 | 7,494 |
| **DEFICIT AT END OF YEAR** | $ 14,625 | $ 10,307 |

# Statement of Cash Flows

| | Year ended October 31 1987 | 1986 |
|---|---|---|
| | (Thousands of dollars) | |
| **CASH PROVIDED BY (USED FOR):** | | |
| **OPERATIONS** | | |
| Loss for the year | $ (4,318) | $ (2,813) |
| Items not involving cash | | |
| Gain on sale of property and equipment | – | ( 312) |
| Depreciation | 781 | 794 |
| Change in non-cash operating working capital (note 6) | ( 169) | 524 |
| | (3,706) | (1,807) |
| **INVESTMENTS** | | |
| Additions to property and equipment | ( 209) | ( 708) |
| Proceeds from disposal of property and equipment | – | 381 |
| | ( 209) | ( 327) |
| **FINANCING** | | |
| Increase (decrease) in obligations under capital lease | ( 46) | 226 |
| Increase in short-term borrowings | 2,491 | 2,800 |
| | 2,445 | 3,026 |
| **INCREASE (DECREASE) IN CASH POSITION** | (1,470) | 892 |
| **CASH POSITION AT BEGINNING OF YEAR** | ( 680) | (1,572) |
| **CASH POSITION AT END OF YEAR** | $ (2,150) | $ ( 680) |

Cash position comprises cash less bank indebtedness.

# Notes to Financial Statements

Year Ended October 31, 1987

## GENERAL

The Saskatchewan Transportation Company was established in 1946 by Order in Council # 168 to act as a common carrier providing passenger transportation, parcel express and freight services. The Corporation is continued under The Crown Corporations Act, 1978

The accounts of the Corporation are consolidated in the annual financial statements of the Crown Investments Corporation of Saskatchewan.

## SUMMARY OF SIGNIFICANT POLICIES

### Supplies and Parts Inventories

Inventories of vehicle parts of supplies are stated at the lower of average cost or replacement cost.

### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditures for repairs to equipment which extend its useful life, such as major refurbishments and structural repairs, are capitalized. Normal maintenance, such as engine and drivetrain repairs or replacement, mechanical repairs and preventative maintenance, are expensed as incurred.

### Depreciation

Depreciation is provided from the date assets are put into service and is recorded on the straight-line basis at rates designed to amortize the cost of the fixed assets over their estimated useful lives after considering residual values. Annual depreciation rates are as follows:

| | |
|---|---|
| Buildings | 2.5% to 10% |
| Coach equipment | 11.1% |
| Other equipment | 10.0% to 20% |

### Lease

Leases that substantially transfer all of the benefits and risks of ownership of property to the Corporation are accounted for as capital leases.

At the time a capital lease is entered into, the asset, together with its related long-term obligation, is recorded at an amount equal to the present value of future minimum lease payments. The obligation recorded under capital lease is reduced by rental payments net of interest.

Equipment recorded under capital lease is depreciated on the same basis as owned equipment.

## 1. PROPERTY AND EQUIPMENT

| | 1987 | | | 1986 |
|---|---|---|---|---|
| | Cost | Accumulated Depreciation | Net | Net |
| | (Thousands of dollars) | | | |
| Land | $ 1,772 | $ – | $ 1,772 | $ 1,772 |
| Buildings | 6,934 | 1,727 | 5,207 | 5,367 |
| Coach equipment | 7,389 | 4,877 | 2,512 | 2,959 |
| Equipment under capital lease | 278 | 69 | 209 | 265 |
| Other equipment | 1,292 | 487 | 805 | 714 |
| | $17,665 | $ 7,160 | $10,505 | $11,077 |

## 2. NOTES PAYABLE

The notes payable are comprised of Bankers' Acceptances bearing effective interest rates of 7.5% to 9.8% (1986 - 8.8% to 8.9%). The notes are stated net of discount with a maturity value of $10,000,000 (1986 - $7,500,000).

## 3. LOAN PAYABLE

The loan from the Crown Investments Corporation of Saskatchewan is non-interest bearing and is payable on demand.

## 4. OBLIGATION UNDER CAPITAL LEASE

The following is a schedule by year of future minimum lease payments together with the balance of the obligation under the capital lease.

| | (Thousands of dollars) |
|---|---|
| 1987-88 | $ 68 |
| 1988-89 | 68 |
| 1989-90 | 67 |
| 1990-91 | 67 |
| 1991-92 | 11 |
| | 281 |
| Amount representing interest at 10.75% | 55 |
| Total future minimum lease payments | 226 |
| Less current amount included in accounts payable | 46 |
| Balance of obligation | $180 |

## 5. ADVANCES

Advances received from the Crown Investments Corporation of Saskatchewan are intended as long-term equity for the Corporation. These advances are non-interest bearing with no fixed terms of repayment.

## 6. CHANGE IN NON-CASH OPERATING WORKING CAPITAL

The change in non-cash operating working capital is comprised of the following items:

| | 1987 | 1986 |
|---|---|---|
| | (Thousands of dollars) | |
| Decrease (increase) in accounts receivable | $ (298) | $ 51 |
| Increase in supplies and parts inventory | (60) | (30) |
| Decrease in prepaid expenses | 27 | 20 |
| Increase in accounts payable | 162 | 483 |
| | $ (169) | $ 524 |

## 7. PENSION PLANS

The Corporation participates in two pension plans. One is the STC Employee Superannuation Plan, established pursuant to the Public Service Superannuation Act, and is a defined benefit plan. The other is the Crown Investments Corporation Pension Plan, which is a defined contribution plan. Employees hired after September 1, 1980 are required to contribute to the defined contribution plan.

The Corporation's financial obligations to each of the plans are limited to making regular payments to the plans to match the amounts contributed by the employees for current services.

## 8. RELATED PARTY TRANSACTIONS

Included in these financial statements are revenue and expenses resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

# 1987 Route Map